consummation of the reorganization is conditioned upon receipt from the SEC of the order requested herein.

Applicants' Legal Analysis

1. Section 17(a) of the Act, in pertinent part, prohibits an affiliated person of a registered investment company, or any affiliated person of such a person, acting as principal, from selling to or purchasing from such registered company, any security or other property. Section 17(b) provides that the SEC may exempt a transaction from section 17(a) if evidence establishes that the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair and do not involve overreaching on the part of any person concerned, and that the proposed transaction is consistent with the policy of the registered investment company concerned and with the general purposes of the Act.

2. Rule 17a–8 under the Act exempts from the prohibitions of section 17(a) mergers, consolidations, or purchases or sales of substantially all the assets involving registered investment companies that may be affiliated persons, or affiliated persons of an affiliated person, solely by reason of having a common investment adviser, common directors/trustees and/or common officers provided that certain conditions are satisfied.

3. The proposed reorganization may not be exempt from the prohibitions of section 17(a) by reason of rule 17a–8 because the Acquiring Fund and the Acquired Fund may be affiliated for reasons other than those set forth in the rule. Mellon owns 100% of the outstanding voting securities of Dreyfus, the adviser to the Acquired Fund. In addition, Mellon holds with power to vote more than 50% of the outstanding voting securities of the Acquiring Fund. Therefore, the Acquiring Fund may be deemed an affiliated person of the Acquired Fund for reasons not based solely on their common adviser.

4. Applicants believe that the terms of the reorganization satisfy the standards of section 17(b). Each Fund's board, including the disinterested trustees and directors, has reviewed the terms of the reorganization and have found that participation in the reorganization as contemplated by the Reorganization Agreement is in the best interests of Dreyfus/Laurel Funds, Dreyfus/Laurel Series, and each Fund, and that the interests of existing shareholders of each Fund will not be diluted as a result of the reorganization. Each board considered the compatibility of the investment objectives, policies and restrictions of the two Funds and found that they were similar in that both Funds emphasized investment in international equity securities.

5. Section 17(d) prohibits any affiliated person of a registered investment company, acting as principal, from effecting any transaction in which such registered investment company is a joint participant with such person in contravention of SEC rules and regulations. Rule 17d–1 provides that no joint transaction may be consummated unless the SEC first approves the transaction.

6. The Funds may be affiliated persons of each other, and the proposed transaction might be deemed to be a joint enterprise or other joint arrangement. Applicants believe that the terms of the reorganization are consistent with the provisions, policies and purposes of the Act in that they are reasonable and fair to all parties, do not involve overreaching, and are consistent with the investment policies of each of the Funds. The participation in the reorganization by each Fund also is not on a basis different from or less advantageous than that of other participants.

For the Commission, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–2818 Filed 2–3–95; 8:45 am]

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[Release No. 34–35298; File Nos. SR–NYSE–94–48 and SR–PSE 94–37]

Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the New York Stock Exchange, Inc. and the Pacific Stock Exchange, Inc., Relating to the Off-Site Storage of Customer Options Account Information

January 30, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act''),[1] notice is hereby given that on December 20, 1994, the New York Stock Exchange, Inc. (''NYSE''),[2] and on December 23, 1994, the Pacific Stock Exchange, Inc. (''PSE'') (together, the ''Exchanges''), submitted to the Securities and Exchange Commission (''SEC'' or ''Commission'') the proposed rule changes as described in Items I and II below, which Items have been prepared by the Exchanges. The Commission is publishing this notice to solicit comments on the proposed rule changes from interested persons.

I. Self-Regulatory Organizations' Statement of the Terms of Substance of the Proposed Rule Changes

Currently, paragraph (c), ''Maintenance of Customer Records,'' of NYSE Rule 722, ''Supervision of Accounts,'' and paragraph (d)(3), ''Maintenance of Customer Records,'' of PSE Rule 9.18, ''Doing a Public Business in Options,'' require that background and financial information of customers be maintained at both the branch office servicing the customer's account and at the principal supervisory office with jurisdiction over the branch office. NYSE Rule 722(c) and PSE Rule 9.18(d)(3) also require that copies of account statements of options customers be maintained at both the branch office supervising the accounts and at the principle supervisory office with jurisdiction over that branch for the most recent six-month period. The Exchanges propose to amend their rules to provide that the customer information and account statements currently maintained at the principal supervisory office may be maintained at a location other than the principal supervisory office if the documents and information are readily accessible and promptly retrievable.

The text of the proposed rule changes is available at the Office of the Secretary, NYSE, at the Office of the Secretary, PSE, and at the Commission.

II. Self-Regulatory Organizations' Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

In their filings with the Commission, the self-regulatory organizations included statements concerning the purpose of and basis for the proposed rule changes and discussed any comments they received on the proposed rule changes. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organizations have prepared summaries, set forth in Section (A), (B), and (C) below, of the most significant aspects of such statements.

(A) Self-Regulatory Organizations' Statements of the Purpose of, and Statutory Basis for, the Proposed Rule Changes

Currently, the rules of the NYSE and the PSE require that both the branch

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[1] 15 U.S.C. 78s(b)(1) (1988).

[2] On January 27, 1995, the NYSE submitted a letter requesting accelerated approval of its proposal. *See* Letter from James E. Buck, Senior Vice President and Secretary, NYSE, to Glenn Barrentine, Team Leader, Division of Market Regulation, Commission, dated January 27, 1995.

office servicing an options customer's account and the principal supervisory office having jurisdiction over the branch office retain account statements and other financial and background information for the account for supervisory purposes. With advances in data storage and retrieval capability available through optical disks, fax machines, microfiche and computers, coupled with the escalating costs of storing records on-site, member organizations increasingly are storing their records away from their principal supervisory offices.

According to the NYSE, NYSE members have obtained no-action positions from the Options Self-Regulatory Council (''OSRC'')[3] on a case-by-case basis when moving their operational facilities off-site. The OSRC has determined that these arrangements are consistent with the record retention requirement rules so long as the documents are readily accessible and promptly retrievable. In view of the number of requests received by the options self-regulatory organizations (''SROs''), the OSRC has asked each of the options exchanges and NASD to consider amending their rules to permit the principal supervisory office to store customer account information off-site.

The Exchanges propose to amend their rules accordingly. The Exchanges believe that the off-site storage arrangements are consistent with the record retention requirement rules, provided the documents are readily accessible and promptly retrievable.[4] In addition, the Exchanges do not believe that the supervisory obligations of member organizations will be compromised by the proposal since members will continue to be required to maintain customer option account documents and information at the branch office servicing the customer's account. To ensure compliance with the provisions of the rules, the Exchanges state that they will periodically examine the document retrieval capabilities of member firms using off-site document storage arrangements.

The Exchanges believe that the proposed rule changes are consistent with Section 6(b) of the Act, in general, and further the objectives of Section 6(b)(5), in particular, in that they are designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system and in general to protect investors and the public interest.

Additionally, the NYSE believes that the proposal will promote the maintenance of fair and orderly markets because it will provide member organizations with the opportunity to discharge their supervisory responsibilities in a more cost-effective manner, thereby improving the efficiency of NYSE member organizations, and, in turn, benefitting investors in the marketplace. Moreover, because the NYSE does not believe that the proposal will compromise the ability of members to satisfy their supervisory obligations, the NYSE believes the proposal is consistent with the protection of investors.

(B) Self-Regulatory Organizations' Statement on Burden on Competition

The Exchanges do not believe that the proposed rule changes will impose any burden on competition that are not necessary or appropriate in furtherance of the purposes of the Act.

(C) Self-Regulatory Organizations' Statement on Comments on the Proposed Rule Changes Received From Members, Participants or Others.

No written comments were either received or requested.

III. Date of Effectiveness of the Proposed Rule Changes and Timing for Commission Action

The Exchanges have requested that the proposed rule changes be given accelerated effectiveness pursuant to Section 19(b)(2) of the Act.

The Commission believes that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5) in that they are designed to prevent fraudulent and manipulative acts and practices, to facilitate transactions in securities, and to protect investors and the public interest.[5]

Specifically, by allowing off-site storage of customer account information maintained at supervisory offices, the Commission believes that the proposal should provide the Exchanges' members with a cost-effective means to utilize computers, facsimile machines, optical disks, and other technology to store the required customer account information off-site while ensuring that member firms will continue to have easy access to all of the customer account information necessary to discharge their supervisory responsibilities. In this regard, the proposals provide that options customer account information stored off-site must be ''readily accessible and promptly retrievable,''[6] thereby preserving the ability of the Exchanges to access and investigate customer account records. The Commission notes that the Exchanges plan to periodically examine the document retrieval capabilities of member firms using off-site storage arrangements. Thus, the Commission believes that both proposals strike a reasonable balance between the Exchanges' interest in allowing member organizations to reduce the cost of storing customer account information and ensuring that the information continues to be available for supervisory purposes.

In addition, the Commission believes that it is reasonable for the Exchanges to allow off-site storage of customer account information maintained at supervisory offices, but not of account information stored at branch offices, because branch offices are responsible for the day-to-day administration of customer accounts and require immediate access to account information. For example, by continuing to require branch offices to store customer account information on-site, the proposal facilitates broker compliance with the suitability requirements applicable to options customers.

The Commission finds good cause for approving the Exchanges' proposals prior to the thirtieth day after the date of publication of notice of filing thereof in the **Federal Register** because the proposals are identical to previously approved proposals submitted by the Chicago Board Options Exchange, Inc. (''CBOE''), the Philadelphia Stock Exchange, Inc. (''PHLX'') and the American Stock Exchange, Inc.

[3] The ORSC is a committee comprised of representatives from each of the options exchanges and the National Association of Securities Dealers, Inc. (''NASD''). The OSRC was created pursuant to the plan submitted by the options SROs under Rule 17d–2 of the Act (''17d–2 Plan''). The 17d–2 Plan was adopted to reduce regulatory duplication relative to options-related sales practice matters for a large number of firms which are currently members of two or more SROs. The purpose of the OSRC is: (1) to administer the 17d–2 Plan; and (2) to address options-related sales practice matters in a common forum.

[4] The NYSE defines ''readily accessible and promptly retrievable'' to mean that the requested information will be available by noon of the next business day. The PSE defines ''readily accessible and promptly retrievable'' to mean that the requested information can be returned to the principal supervisory office generally within 24 hours.

[5] 15 U.S.C. 78f(b)(5) (1988).

[6] See note 4, *supra.*

(''Amex'').[7] The CBOE and PHLX proposals were subject to the full notice and comment period and the Commission received no comments on those proposals. Therefore, the Commission believes it is consistent with Sections 6(b)(5) and 19(b)(2) of the Act to approve the Exchanges' proposals on an accelerated basis.

IV. Solicitation of Comments

Interested persons are invited to submitt written data, views and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC. Copies of each filing will also be available for inspection and copying at the principal office of the respective above-mentioned self-regulatory organization. All submissions should refer to the file number in the caption above and should be submitted by February 24, 1995.

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act,[8] that the proposed rule changes (File Nos. SR–NYSE–94–48 and SR–PSE–94–37) are approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[9]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 95–2751 Filed 2–3–95; 8:45 am]

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[7] See Securities Exchange Act Release Nos. 34899 (October 26, 1994), 59 FR 54929 (November 2, 1994) (order approving File No. SR–CBOE–94–30); 34909 (October 27, 1994), 59 FR 55144 (November 3, 1994) (order approving File No. SR–PHLX–94–35); and 34913 (October 28, 1994), 59 FR 55300 (November 4, 1994) (order approving File No. SR–Amex–94–37).

[8] 15 U.S.C. 78s(b)(2) (1982).

[9] 17 CFR 200.30–3(a)(12) (1994).

[Release No. 34–35297; File No. SR–CBOE–94–50]

Self-Regulatory Organizations; Order Granting Accelerated Approval to a Proposed Rule Change by the Chicago Board Options Exchange, Inc. Relating to As-of-Add Submissions

January 30, 1995.

On December 1, 1994, the Chicago Board Options Exchange, Inc. (''CBOE'' or ''Exchange''), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (''Act'')[1] and Rule 19b–4 thereunder,[2] filed with the Securities and Exchange Commission (''Commission'') a proposed rule change relating to the fees assessed by the Exchange against members pursuant to Exchange Rule 2.26 for submitting trade information under Exchange Rule 6.51[3] after the trade date (each an ''as-of-add''). Notice of the proposal and the Commission's order granting partial accelerated approval of the proposal appeared in the **Federal Register** on January 12, 1995.[4] No comment letters were received on the proposed rule change. This order approves the remaining portion of the CBOE proposal.

The purpose of the proposed rule change was to amend the as-of-add fee pilot program in three ways and to have the pilot program, as amended, made permanent. The Commission has already approved those portions of the proposal: (1) Permanently approving the as-of-add fee pilot program; (2) placing a ceiling on the monthly as-of-add fee that can be assessed against individual and clearing members pursuant to CBOE Rule 2.26; and (3) amending Rule 2.26 to authorize the Exchange to suspend rule 2.26 (and thereby waive the as-of-add fees that would otherwise be due) in exigent circumstances.[5]

The only portion of the proposal which has not yet been approved by the Commission is a proposed amendment to CBOE Rule 17.50(g) to include a fine schedule for substantial and repeated submissions by members of as-of-adds (''Minor Rule Plan Amendment''). Specifically, any member who exceeds the as-of-add rate considered nominal under Rule 2.26 by three times or more for two consecutive months[6] would be subject to a fine of $250 for the first offense, $500 for the second offense, and $1,000 for each offense thereafter occurring during any 12-month period.[7] The fines imposed pursuant to Rule 17.50(g) would be in addition to any fees due under Rule 2.26 and would serve to penalize those members who submit the greatest number of excessive as-of-add trades. Furthermore, in any circumstance in which a member's use of as-of-adds suggests that it may be appropriate to impose more severe disciplinary sanctions than would be provided for under Rule 17.50(g), the member would be subject to investigation and discipline in accordance with Chapter XVIII of CBOE's rules.[8]

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5).[9] Specifically, the Commission finds that incorporating a fine schedule into Rule 17.50(g) for substantial and repeated submissions of as-of-adds fees addresses the suggestions previously noted by the

[1] 15 U.S.C. 78s(b)(1) (1988).

[2] 17 CFR 240.19b–4 (1992).

[3] Among other things, Rule 6.51 requires that each transaction be immediately reported to the Exchange in a form and manner prescribed by the Exchange. *See* Rule 6.51(a).

[4] See Securities Exchange Act Release No. 35190 (January 3, 1995), 60 FR 3008 (January 12, 1995) (''Exchange Act Release No. 35190'').

[5] Id.

[6] The nominal as-of-add rate is currently 2.4% of an individual member's monthly trades and 1.2% of a clearing member's monthly trades. Accordingly, fines under this proposal would currently be triggered for an individual member whenever that member's as-of-add submissions equal or exceed 7.2% of total trade submissions in each of two consecutive months, while fines to clearing firms would be triggered whenever a clearing member's as-of-add submissions equal or exceed 3.6% of total trade submissions for each of two consecutive months.

[7] These fines would be assessed on a rolling basis. For example, an individual member who is cited for a first offense for a minor rule violation for exceeding the nominal allowable number of as-of-adds by three or more times during each of December and January would be fined for a second offense if that member again exceeds the allowable number of as-of-adds by three or more times during February. See Exchange Act Release No. 35190, *supra* note 4.

[8] The CBOE has issued a Regulatory Circular to members describing the portions of the proposal previously approved and the Minor Rule Plan Amendment. The Commission notes, however, that this Regulatory Circular stated that the Minor Rule Plan Amendment would apply retroactively as of January 1, 1995. *See* CBOE Regulatory Circular RG94–85, dated December 28, 1994. Because the Commission generally does not approve the retroactive application of rule changes, particularly with regard to the assessment of fees and fines, immediately following approval of the Minor Rule Plan Amendment, the Exchange will issue another Regulatory Circular notifying members of the approval and the revised implementation date for Minor Rule Plan Amendment, which is tentatively scheduled for February 1, 1995. This Regulatory Circular will also emphasize that serious instances or extended periods of as-of-add submissions will be subject to investigation and possible disciplinary action notwithstanding Rule 17.50(g).

[9] 15 U.S.C. 78f(b)(5) (1988).